





Michigan State Housing Development Authority

MARKET GUIDELINES FOR

- ~ MSHDA DIRECT LENDING PROGRAMS**
- ~ LOW INCOME HOUSING TAX CREDIT PROPOSALS**
- ~ MODIFIED PASS-THROUGH PROGRAM**
- ~ SPECIAL NEEDS HOUSING**

GUIDELINES EFFECTIVE DECEMBER 2, 2002

Market Consultant List Revised May 6, 2005

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I. GENERAL GUIDELINES:

A. WHO MUST SUBMIT A MARKET STUDY:

Any applicant seeking MSHDA financing or Low Income Housing Tax Credit allocation for multifamily rental housing **MUST** provide the required information outlined under “Market Guidelines”. Market Guidelines are provided for the MSHDA Direct Lending, Modified Pass-Through, and Special Needs programs. Low Income Housing Tax Credit (LIHTC) proposals **MUST** provide MSHDA with a market study (two copies) which meets these guidelines. Market guidelines for Special Needs Housing are provided in Attachment A. Low Income Housing Tax Credit proposals containing a Special Needs component, **MUST** provide the information outlined in Attachment A, in addition to the information outlined for the non-special needs market segment.

B. WHAT MUST BE IN A MARKET STUDY:

Any proposal brought to the Authority for market approval, whether for any direct lending program, the Low Income Housing Tax Credit program, the Modified Pass-Through program, or any Preservation proposal shall address the issue of impact on Authority-financed developments in the market area. It shall be the responsibility of the sponsor to demonstrate to the satisfaction of the Authority that such proposal will NOT have an adverse impact on Authority-financed investments. If in the judgment of the market analysts there will be no impact, the market analyst must state that. The market analyst must pay particular attention to comparable properties with a history of occupancy problems and those with vacancy rates in excess of ten percent.

For each proposed housing development, the sponsor must submit **TWO** copies of an acceptable market study to MSHDA. The market study must document sufficient demand in the market area to support the proposed development. Marketing, Research and Planning must be satisfied with the thoroughness and adequacy of the market study.

For evaluation purposes, all market studies **MUST** provide the information outlined in Part II entitled “PROPOSAL DESCRIPTION”. The rent levels, square footages, and unit configuration analyzed in the market study **MUST** be the same as those presented in the application for either MSHDA financing or Low Income Housing Tax Credits. Each study **MUST** provide up-to-date demographic data (no older than six months) on the market area with the source clearly defined, e.g. CACI or National Planning projections. Any additional relevant data, such as primary source data from surveys or focus groups, should be included and the source identified.

While data provide the foundation, **a market study is not complete unless it also includes an analysis of the data.** The data and analysis must clearly indicate enough demand in the market to support the proposed development. The study should also identify any assumptions, estimates, projections, and models used in the analysis. The analyst should offer his or her recommendations based upon market conditions, not simply build a case for the developer’s proposal.

Each market study must be completed by an independent market consultant who has no financial interest in the proposal, and should include a resume outlining the author’s educational background and professional experience. A listing of market consultants is provided in Attachment D. Market consultants/firms who will be conducting market studies for Low Income Housing Tax Credit proposals must provide their educational background and professional experience for MSHDA approval prior to the scheduled LIHTC round. The market consultant must attest that he/she has no financial interest in the subject proposal (see Attachment C). A written sign-off from the sponsor/developer of the proposal is required which enables MSHDA’s market reviewer to speak directly to the market consultant who conducted and prepared the market study (also Attachment C).

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Any questions regarding the above information should be routed to Gabe Labovitz at 517-373-6025.

II. PROPOSAL DESCRIPTION:

MSHDA's Marketing, Research and Planning Unit, as well as an independent market consultant assigned by MSHDA will review all sites. Each market study must provide the following information for the proposed development:

SPONSOR: _____ DEVELOPMENT LOCATION: _____

TOTAL UNITS PROPOSED: _____ UNITS
OCCUPANCY: FAMILY _____ ELDERLY _____ SPECIAL NEEDS _____
CONSTRUCTION: NEW CONSTRUCTION _____ REHABILITATION _____

PROPOSED UNIT CONFIGURATION STRUCTURE:*

# UNITS	UNIT MIX	# BATH.	GROSS SQ. FT.	NET SQ.FT.	PROPOSED CONTRACT RENTS			ESTIMATED GROSS RENTS		
					SUBSIDIZED UNITS		MARKET RATE UNITS	SUBSIDIZED UNITS		MARKET RATE UNITS
	1 BED. APT									
	1 BED. TH									
	1 BED. EL									
	2 BED. APT									
	2 BED. TH									
	2 BED. EL									
	3 BED. APT									
	3 BED. TH									
	3 BED. EL									

(APT = APARTMENT; TH = TOWNHOUSE; EL = ELEVATOR)

- THIS MATRIX CAN BE EXPANDED BY THE MARKET ANALYST IF MORE OR DIFFERENT UNIT TYPES ARE PLANNED FOR THE SUBJECT PROPOSAL.
- SUBSIDIZED UNITS WITH VERY LOW RENTS SERVE VERY LOW INCOME HOUSEHOLDS (50% OF AREA MEDIAN INCOME OR LESS). MARKET RATE RENTS REPRESENT THE HIGHEST RENTS PROPOSED.
- LOW INCOME HOUSING TAX CREDIT UNITS CANNOT HAVE RENTS HIGHER THAN 1/12TH OF 30% OF 60% OF AREA MEDIAN INCOME, ASSUMING FAMILY SIZE OF 1.5 PERSONS PER BEDROOM. THE HIGH RATE DESIGNATED ON THIS FORM IS INDICATIVE OF THE HIGHEST RENTS TO BE CHARGED WHICH ARE ALLOWED BY THE LIHTC PROGRAM FOR A PARTICULAR UNIT SIZE AND TYPE. CONVERSELY, THE LOW RATE INDICATES THE LOWEST RENTS PROPOSED FOR A SPECIFIC UNIT SIZE AND TYPE.

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- A. A description of the proposed site, including the closest street boundaries and the number of acres in the site. Include a city (village/township) map indicating the project site configuration. The map should also identify contiguous land use and/or zoning. Remember, the market evaluator must be able to locate the proposed site.
- B. Tenant-paid utilities schedule.
- C. Heat source, e.g., gas or electric.
- D. Unit amenities: While local housing markets are discrete entities, in most Michigan markets new rental housing developments provide the following unit amenities and features: oven/range combination, range hood, refrigerator, garbage disposal, window treatments, and either cable or a master antenna system. Air conditioners and dishwashers are also becoming standard features with their inclusion in the amenity package being dependent upon the anticipated needs of the target market and the competitive supply. While decisions to include specific amenities or features should be dictated by local market conditions, it would be prudent to anticipate the changing needs of the target market and provide amenities which will help the development remain competitive over the long run. In addition, MSHDA- financed elderly developments are expected to have at least 600 net square feet in one bedroom units and 750 net square feet in two bedroom units.
- E. Development amenities, e.g., community building, swimming pool, and tennis courts.
- F. The following information should be provided for developments/buildings which will be rehabilitated:
 - 1. Detailed information with regard to the planned rehabilitation, i.e., new cupboards and kitchen counters, new appliances, new furnace, repair and paint walls, etc. Detail is important so that the completed units can be more easily compared to competitive units in the area.
 - 2. Phasing of the rehabilitation - how the planned rehabilitation will be completed over time.
 - 3. Whether any relocation of current tenants will be necessary. Provide the scope and timing for the relocation.
 - 4. Current occupancy levels and rent levels being charged. For Rural Housing Services properties seeking Low Income Housing Tax Credits for their rehabilitation efforts, identify the number of deep subsidies (Rental Assistance, Section 8) currently available at the proposed development. The study should also include the length of time that these subsidies will be available and whether they are renewable. The study should include whether Rural Housing Services will be providing any additional subsidies for the proposal. If so, a letter from Rural Housing Services should accompany the market study. The number of households on the waiting list (if any) should be provided as an indicator of pent-up demand.
 - 5. Where possible, tenant incomes should be provided. This will help determine the number of units which would need to be remarketed.
- G. Any amenities available to the tenant at additional cost, e.g., carports - \$15/month, fireplace - \$10/month.

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- H. Locational amenities, e.g., neighborhood shopping, drug store, major employers, schools, bus lines, churches, cultural attractions, and recreational facilities. Indicate proximity in miles to the proposed site.
- I. Expected date of market entry:

III. MARKET AREA DELINEATION:

Identify a reasonable market area for the proposed development (that geographical area from which the majority of potential renters are expected to be drawn). This typically is the area immediately surrounding the proposed development. Provide a rationale for the suggested market area, taking into account such things as political and natural boundaries, socioeconomic characteristics, and the experience of nearby comparable rental developments.

Provide a map outlining the market area. Identify the proposed site location, the locational amenities, and the comparable rental developments on this same map.

IV. MARKET AREA ECONOMY:

For **all** proposals except those designated as elderly, provide the following information.

- A. Employment type - indicate numbers or percentages by type of employment. For example: manufacturing - 56,018 (18%), service producing - 75,400 (25%), finance - 12,530 (5%), etc.
- B. The major current employers.
- C. Anticipated employer expansions and cutbacks as well as new plants or plant closings, and the potential impact expansions or cutbacks will have on employment in the market area.
- D. Unemployment trends - provide total workforce, and give both number & percentage unemployed. Provide the most recent five year trend. Where possible, provide this data for the market area, the county, and the State.

V. POPULATION & HOUSEHOLD TRENDS:

Provide the following demographic information for **both** the market area and the minor civil division (city, village, township, etc.) in which the proposed project will be located. This information must be provided for the 2000 Census as a baseline, the projected date of market entry, and projected into the future (typically a five year projection). Projections must be prepared by one of the national proprietary data providers, for example, CACI, National Decision Systems, Donnelly, National Planning Data Corporation, etc. U.S. Census data will be accepted for historical data presentation only. If the market analyst does not agree with these projections, he/she must provide the reasoning, along with substitute projections. Population and households should be projected to the estimated time of market entry. For elderly proposals, the data for independent elderly should be based on households 65 years plus, while congregate care housing should be based on households 70 years and older. (Statutorily, elderly households where one member is 55 and all others are at least 50 qualify to live in elderly developments.) However, MSHDA has found typically higher ages for tenants in elderly developments. The higher than statutorily required ages will be used in order to be consistent with this finding.

A. Population Trends

1. Total population.
2. Population by age group.
3. Number of elderly and non-elderly.
4. Number of minority and non-minority.

B. Household Trends

1. Total number of households.
2. Household by tenure; that is, the number of owner and renter households by elderly and non-elderly.
3. Average household size.
4. Renter households by number of persons in the household.

VI. HOUSEHOLD INCOME DISTRIBUTION:

Present an estimate of household income **by tenure** projected to the expected time of market entry. Elderly proposals should reflect the income distribution of elderly households only. Market consultants will be required to make income projections based upon reasonable assumptions. The assumptions used should be provided for MSHDA review.

VII. DEMAND ESTIMATE:

In preparing demand estimates, it is the responsibility of the market analyst to be aware of any applicable income restrictions and requirements (*see Attachment D - Income Restrictions*). The estimated demand must be based upon current households and projected household growth. The demand calculation should include a demand estimate for the current year and the estimated date of market entry. It should be assumed that market rate households will spend up to 30% of their income for gross rent, and lower income households up to 40% of their income for gross rent. Income qualification should be based upon gross rent levels with the lowest gross rent level setting the minimum income requirements. Demand should be calculated for each level of rents proposed so that some income-qualified households are not double counted.

The following tabular presentation is an example of a demand analysis and represents the format preferred by MSHDA. MSHDA's Marketing, Research and Planning Section will provide recommended movership rates based upon the most current census or American Housing Survey data (See Attachment F). *The Authority's market analyst should be able to reconstruct your estimate of demand - step by step. The percentages used are for example only - market studies must use percentages based upon actual market data or other reliable sources.*

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A. Demand From Existing Households:

1.	Number of existing households for current year.	20,000
2.	Number of renters based upon Census data.	$\times 16.0\% = 3,200$
3.	Number of income-qualified renter households.	$3,200 \times 24.0\% = 768$
4.	Movership rate (See Attachment F), estimate the percentage of renter households that move into different rental units in a given year.	$768 \times 35\% = 269$
5.	Estimated annual demand from existing rental households.	269

B. Demand from New Households:

1.	Estimate the number of new renter households. (The difference between the number of current renter households and the number projected at the time of market entry).	$22,000 - 20,000 = 2,000$
2.	Estimate the annual growth. This is the number of new households divided by the number of years between the current household number and the market entry number.	$2,000 / 5 = 400$
3.	Number of income-qualified renter households.	$400 \times 24.0\% = 96$
4.	Estimated annual demand from new households.	96

C. Total annual demand from existing and new renter households: $269 + 96 + = 365$

VIII. ABSORPTION RATE:

The market study should provide an estimate of the expected absorption rate, including the time required to reach 95% occupancy. The absorption rate should take into consideration such factors as the overall estimate of new household growth, the available supply of competitive units, the observed trends in absorption of comparable units, and the availability of subsidies and rent specials. The absorption period will be considered to start as soon as the first units are released for occupancy.

IX. COMPETITIVE RENTAL MARKET:

Within the defined market area, identify all multi-family rental developments that serve the defined target market. Sufficient information should be provided to allow a reviewer who is unfamiliar with the market area to better determine the current rental market conditions. A MSHDA market evaluator will check the comparable data provided for accuracy.

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There is neither a minimum nor maximum number of comparables to be included in a market analysis. A market analysis should include information on all rental developments that can be considered "true comparables." A "true comparable" is an existing development available to serve the target market. This includes those existing developments with comparable financing, developments serving the same market, developments of comparable age, and developments with comparable amenity packages.

The following information must be provided for competitive rental developments in the market area.

- A. Name, address, and telephone number of the development.
- B. Age of the development.
- C. Number of units by bedroom size and structure type.
- D. Square footage for each comparable unit type. Indicate if square footage is gross or net.
- E. Current contract rent for each comparable unit type. Where possible, provide rent history for the comparable which presents rental trends and occupancy status over time.
- F. Tenant-paid utilities.
- G. Heat source.
- H. Amenities (both unit and development).
- I. Vacancy rates, waiting lists, and turnover rates by bedroom size and structure type.
- J. If the proposed development represents an additional phase of an existing housing development, include a tenant profile as well as additional information related to households on a waiting list of the existing phases.
- K. In rural areas lacking sufficient multi-family rental comparables, provide data on single-family rentals.

In addition, the market analyst must also indicate the rental developments in the market area which he/she determines are **MOST DIRECTLY COMPARABLE** to the subject proposal. Developments considered to be most directly comparable are those most similar in terms of structure type, financing program, amenity package, rent levels, and location. The analyst must provide his/her reasons for designating a development as directly comparable, and provide a picture/pictures of the development.

X. PIPELINE CONSIDERATIONS

For developments in the planning or construction stage, provide the number of units, unit configuration, rent structure, estimated date of market entry, and any other information which would be helpful for market evaluation purposes. If there are no developments in the planning stages or under construction, a statement to that effect must be provided. For Low Income Housing Tax Credit proposals, a printout is available from MSHDA's LIHTC section which identifies all LIHTC proposals which have received an allocation of tax credits. There is no way of knowing if other LIHTC proposals will be submitted in the current tax credit round. If competing LIHTC proposals are submitted during the same tax credit round, marketing will make recommendations based upon affordability, market depth, unit size/amenities, and lower income households served.

XI. RECOMMENDATIONS/CONCLUSIONS:

The market study must include recommendations and conclusions of the market analyst, supported by the data contained in the market study. The analyst should provide an evaluation of the proposed development, given the target population and existing market conditions. This analysis should include market justification for the proposed product mix, including number of units by unit type, square footage, and structure type. The analysis should further evaluate proposed unit, development, and locational amenities given the market. The market study should include market justification for the proposed rents by unit and structure type. Finally, the analyst should provide justification for the estimated absorption date.

The completed market study should provide an objective review of past, present, and future demographic and economic trends in the defined market area. The study should also include an estimate of how the proposed development will be integrated into the market area based upon existing rental comparables and anticipated pipeline additions to the rental base.

XII. MSHDA REVIEW AND APPEAL

- For applicants seeking MSHDA financing, the Marketing, Research and Planning Unit requires a two week review period of a market study. Market studies will not be reviewed prior to a proposal's acceptance by MSHDA for processing.

Favorable market recommendations will be communicated to MSHDA's Housing Development Officer, allowing the proposal to proceed through the normal underwriting process. In the event that a market study receives a "No Go" recommendation from MSHDA's MRP, the market consultant will be notified immediately of the reason(s) for this recommendation. This will allow the market consultant to respond directly, in instances where additional information or clarification might be sufficient to negate the unfavorable recommendation. The goal is to eliminate unnecessary delay. In cases where the reasons for the "No Go" recommendation are more serious i.e. calculation of demand, comparables or pipeline developments not accounted for, etc., the Development Officer will notify the sponsor, who can appeal the findings at any time. There is no set time frame regarding appeals.

- **LOW INCOME HOUSING TAX CREDIT REVIEW**

The Marketing, Research and Planning Unit receives market studies from MSHDA's Low Income Housing Tax Credit Section and reviews and evaluates each market study and site. A written evaluation and recommendation of the market study is provided to the LIHTC Section. Because an acceptable market study is a threshold requirement for tax credit eligibility, major deficiencies in market studies will result in tax credit proposals being deemed ineligible for a particular funding round.

While Low Income Housing Tax Credit proposals must provide MSHDA with two copies of a market study which meets the MSHDA Market Guidelines as outlined in Sections II through XI, there have been several important changes made to the LIHTC requirements:

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- For multi-family rental developments which are seeking LIHTC for rehabilitation purposes:
 - If the subject proposal has over two thirds of its units covered by deep subsidies (Rental Assistance or Project based Section 8) and has a high level of occupancy, the market study must include the information outlined in Part II, IX, and X of the MSHDA Marketing Guidelines. A high level of occupancy is considered to be 80% or more.
 - Proposals which do not have a high occupancy level, the requisite level of deep subsidies, or whose proposed rent levels exceed the existing rent levels by more than 10%, must provide a full market study which meets MSHDA's Marketing Guidelines.
- LIHTC proposals which will be new construction of more than 6 units must provide a full market study. Proposals of six units or less must provide the information outlined in Part II, IX, and X of the MSHDA Marketing Guidelines.

MSHDA's Marketing, Research and Planning Section will preview market studies prior to their submission.

The market study must be for the next LIHTC round and the process entails:

- That market studies be submitted to the Marketing, Research and Planning Section **at least** 30 days prior to the submission date for the next Low Income Housing Tax Credit round.
- The market studies will be reviewed by the MRP Section and will be returned to the sponsor/market consultant **no less** than 10 days prior to the next LIHTC submission date. This will allow the market consultant approximately 10 days to make changes to the market study prior to the next LIHTC submission date.

ATTACHMENT A

MARKET GUIDELINES FOR SPECIAL NEEDS HOUSING

I. GENERAL GUIDELINES - UNCHANGED

II. PROPOSAL DESCRIPTION:

1. Identify and describe the special needs population to be served by the proposed housing as well as the amount and type of subsidy which will be made available to make this rental housing more affordable to the target population. If no such subsidy will be made available - so state. Rents must be projected at 40% of the annual incomes of the market with no less than 20% of the units targeted to the lowest income group within the special needs population, i.e. SSI.
2. Location of relevant support service providers and the distance in miles from the site. Detail on the types of services to be provided, experience at providing these services, and the ability of the service provider to sustain these services over time. Indicate any other non-profit entities which will have involvement in providing services to the subject special housing population, i.e. churches, etc.
- C. A description of the proposed site, including the closest street boundaries and the number of acres in the site. Include a city (village/township) map indicating the project site configuration. The map should also identify contiguous land use and/or zoning.
- D. Tenant-paid utilities schedule.
- E. Heat source, e.g., gas or electric.
- F. Unit amenities: While local housing markets are discrete entities, in most Michigan markets new rental housing developments provide the following unit amenities and features: oven/range combination, range hood, refrigerator, garbage disposal, window treatments, and either cable or a master antenna system. Air conditioners and dishwashers are also becoming standard features with their inclusion in the amenity package being dependent upon the anticipated needs of the target market and the competitive supply. While decisions to include specific amenities or features should be dictated by local market conditions, it would be prudent to anticipate the changing needs of the target market and provide amenities which will help the development remain competitive over the long run. In addition, MSHDA financed elderly developments are expected to have at least 600 net square feet in one bedroom units and 750 net square feet in two bedroom units.
- G. Development amenities, e.g., community building, swimming pool, and tennis courts.
- H. The following information should be provided for developments/buildings which will be rehabilitated:
 1. Detailed information with regard to the planned rehabilitation, i.e., new cupboards and kitchen counters, new appliances, new furnace, repair and paint walls, etc. Detail is important so that the completed units can be more easily compared to competitive units in the area.

2. Phasing of the rehabilitation - how the planned rehabilitation will be completed over time.
 3. Whether any relocation of current tenants will be necessary. Provide the scope and timing for the relocation.
 4. Current occupancy levels and rent levels being charged.
 5. Where possible, tenant incomes should be provided. This will help determine the number of units which would need to be remarketed.
- I. Any amenities available to the tenant at additional cost, e.g., carports - \$15/month, fireplace - \$10/month.
- J. Locational amenities, e.g., neighborhood shopping, drug store, major employers, schools, bus lines, churches, cultural attractions, and recreational facilities. Indicate proximity in miles to the proposed site.
- K. Expected date of market entry.

Reminder: If your proposal encompasses both special need rental housing as well as rentals for independent living, a clear description for each of these components must be provided.

III. MARKET AREA DELINEATION: - UNCHANGED - SEE PAGES 5 AND 6

Analysts should remember that the market area delineation may be different for special needs population and its submarkets and needs to be appropriately represented in the market study. Key considerations to defining the market area are the service/support providers, their current caseloads and "geographic reach."

IV. POPULATION AND HOUSEHOLD TRENDS

Provide data on the current number of persons and households in the special needs category(ies) to be served. Identify the sources for these estimates, e.g., and/or service providers, human service agencies, CHAS, etc. Indicate changes in these population and household numbers from previous years and provide projections for future years. To the extent possible, provide data on household size, age distribution, current place of residence and tenure. Provide information related to "Person Centered Planning" for individuals with special needs.

V. MARKET AREA ECONOMY

Provide an overview of the local economy including total work force and the unemployment rate for the past five years. Indicate any expansions or cutbacks by employers in the market area which could have an impact upon the local economy. Particular attention should be paid to the level of employment in the unskilled and semi-skilled sectors. Supportive work settings should be identified, and their capacity for providing additional work opportunities discussed.

VI. HOUSEHOLD INCOME DISTRIBUTION

Provide estimates on the current income of the special needs households indicating the sources of income.

VII. DEMAND ESTIMATE

Estimate the number of special needs households as well as how many of these households can live independently. Estimate expected movership and explain the rationale behind the estimate. For example, cite the experience at similar projects, surveys of service providers, or documented waiting lists kept by service providers, interviews of caseworkers or service providers' strategies for filling the development.

Provide a penetration demand analysis as an indicator of market depth for special needs housing:

Number of special needs units proposed
Income qualified special needs targeted households.

VIII. ABSORPTION RATE

Estimate the time it will take to fill all of the proposed units. Explain how estimate was derived.

IX. COMPETITIVE SUPPLY

The market analyst must provide a comprehensive review of the rental comparables available within the market area. The required comparables information is outlined on pages 9 and 10 under Competitive Rental Market. In addition, identify any existing rental housing specifically targeted to meet the needs of the special needs population. This includes conventionally financed rental housing which serves a significant special needs population and those in the target market who currently live in group quarters/facilities. Identify any existing special needs housing where leases may not be renewed due to investor influence or significant increases in rental rates in the area.

The following information must be provided for other existing housing options:

- A. Name, address, telephone numbers
- B. A complete description of the development and the units provided
- C. Current rents - what is included in the rent
- D. Occupancy

X. PIPELINE

Identify any other proposed developments that will be targeted to the same special needs population or have the potential to be competitive. Describe each in detail, including information on location, unit types and rents. If there are no other potentially competitive developments in the planning stages, a statement to that effect must be provided.

XI. RECOMMENDATIONS/CONCLUSIONS - UNCHANGED - SEE PAGE 10

ATTACHMENT B

MARKET GUIDELINES FOR MODIFIED PASS-THROUGH PROGRAM

Introduction

The Modified Pass-Through Program differs from MSHDA's historic role of direct lending in that the obligations issued are limited rather than general obligations of the agency, are not secured by the Authority's capital reserve capital account and are not backed by the moral obligation of the state. These bonds are secured solely by the assets of the borrower, the properties being financed and by some form of credit enhancement provided by the borrower.

A MSHDA review and approval of a market analysis is required under the Modified Pass-Through Program. With this in mind, a cooperative effort was undertaken by marketing representatives of MSHDA, Development Research Associates, and the Michigan Housing Council to determine criteria which would serve as "safe harbor" in reviewing market studies applying under this program in lieu of a full review of the market study. Penetration rate, capture rate, and saturation rate were agreed upon with definitions and threshold levels provided below.

Those proposals seeking Low Income Housing Tax Credits **MUST** provide a full market study which meets the requirements outlined in the MSHDA "MARKET GUIDELINES." The calculation of "safe harbor" criteria will not meet LIHTC requirements.

In addition to the "safe harbor" criteria, other market variables which impact the demand for proposed developments and will be evaluated by MSHDA reviewers are presented below. By providing these variables and the "safe harbor" criteria, the market review process will hopefully be streamlined.

Each market study provided for a Modified Pass-Through proposal must clearly indicate the calculations for **penetration, capture, and saturation rates** using the formulas provided below:

Penetration Rate:

A threshold penetration rate of three percent or less for elderly and six percent or less for family developments will be utilized. The penetration rate is defined as:

$$\frac{\text{Number of units in the proposed development}}{\text{Number of age and income qualified households in the market area}}$$

Capture Rate:

A threshold capture rate of 50% or less will be utilized for all proposals. The capture rate is defined as:

$$\frac{\text{Number of units in the proposal} + \text{number of comparable pipeline units}}{\text{Annual demand (growth + movership) from age and income qualified households in the market area}}$$

Saturation Rate:

A threshold saturation rate of 20% or less for family and 10% or less for elderly developments will be utilized. The saturation rate is defined as:

$$\frac{\text{Number of project units} + \text{comparable pipeline units} + \text{existing comparable units}}{\text{Number of age and income qualified households in the market area}}$$

Market Variables Impacting Demand

- The market analyst conducting the study will determine and demonstrate the market area definition. The market area delineation must be approved by MSHDA, with “reasonableness” of the market area definition being the key consideration.
- In calculating the demand for independent elderly rental housing, seniors aged 65+ should be used. For elderly congregate housing, seniors 70+ should be used. The market analyst may deviate from these minimum age requirements, only if reasoning is provided in the text which clearly demonstrates the validity of the deviation.
- Movership ratios are to be based on the most recent American Housing Survey data. Data may be provided at the regional, Metropolitan Statistical Area, county, or city level depending on the level of data available.
- “True” rental comparables consist of existing developments which currently serve as the residences for the target market. Age, rental structure, amenities, and location form the basis for this determination. A 95% occupancy threshold will be used for “true” comparables. If it is determined that “true” comparables do not exist in a particular market area, then the overall occupancy rate at the rental developments currently serving the target market must be 95% or greater.

In addition, an unduplicated demand estimate must be prepared for each proposed rent level (e.g. units at 30%, 40%, 50%, and 60% of area median income). Further the number of units at each of these rent levels must meet the threshold criteria for capture, penetration, and saturation rates based upon the unduplicated demand estimate. By meeting these criteria, the proposed development would not be subject to the same level of review normally given by MSHDA staff and evaluating consultants.

ATTACHMENT C

CONSULTANT CERTIFICATION

I hereby attest that this market study has been completed by an independent third party market consultant with no fees received contingent or financial interest in the funding of this proposal.

Market Consultant Signature

SPONSOR/DEVELOPER APPROVAL

I hereby give _____ permission to speak directly to MSHDA market reviewers regarding the contents and findings of the subject market study.

Developer's Signature

ATTACHMENT D

I. INCOME RESTRICTIONS

For all MSHDA-financed multifamily rental proposals, at least 20% of the each unit type must be made available to households with incomes at or below 50% of the area median income, adjusted for household size. For purposes of estimating the range of income-qualified households, MSHDA assumes 1.5 persons per bedroom. HUD income limits are used in the calculations.

The tax-exempt TEAM Lending Program requires that at least 40% of the units be targeted to households with incomes no greater than 60% of area median. (Again, with the additional MSHDA requirement that at least 20% of each unit type be at or below 50%, see above.) In eligible distressed areas and in developments designed for elderly occupancy, the remaining 60% of the units are not income-restricted. For family developments in non-distressed areas:

- A. Fifteen percent (15%) of the units must be occupied by households with incomes at or below 125% of the area or statewide median income, whichever is higher;
- B. Fifteen percent (15%) of the units must be occupied by households with incomes at or below 150% of the area or statewide median, whichever is higher;
- C. The remaining units (30%) are not income-restricted.

II. TAX CREDIT INCOME AND RENT RESTRICTIONS

The Tax Credit program requires that, for associated costs to be tax credit eligible, a minimum of either 20% of units be income and rent restricted to households with incomes no greater than 50% of area median income, adjusted for family size, and rents no greater than 30% of 50% of area median income, assuming household size of 1.5 persons per bedroom,

or

40% of units be income and rent restricted to households with incomes no greater than 60% of area median income adjusted for family size, and rents no greater than 30% of 60% of area median income, assuming household size of 1.5 persons per bedroom.

This is the minimum requirement and tax credit is awarded only for costs associated with the percentage of units meeting these standards. It is possible, and even likely, that tax credit proposals may envision greater income and rent restrictions. The market study must reflect the same income and rent restrictions that are proposed in the application.

ATTACHMENT E

MARKET CONSULTANTS
List updated 5/6/2005

A listing of market consultants is provided below. The consultants with an asterisk (*) in front of their name have been approved to conduct Low Income Housing Tax Credit market studies, based upon their educational and work experience. However, due to the variability in the quality of market studies we evaluate, it is the developer's responsibility to determine the qualifications and capacity of individual market consultants.

***Allen & Assoc. Consulting**

Jeff Carroll
3116 Glen Summit Dr
Charlotte NC 28270
(704)905-2276

***Anderson Economic Group**

Christopher S. Cotton
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Lansing MI 48933
(517) 374-2596

***Deborah Bobowski**

Real Estate Development Research, LLC
920 Montrose Avenue
Royal Oak MI 48073
(248) 588-0262

***Cambridge Partners & Assoc. Inc.**

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(847) 776-1976

***Cambridge Partners & Assoc. Inc.**

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(515) 334-9829

***Community Research Services, LLC**

Kelly Murdock/Steve Shaw
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Cook Real Estate & Research

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*** The Danter Company**

Mr. Ken Danter
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(614) 221-9096

*** Fielder Group Marketing Research, L.L.C.**

Ms. Elizabeth R. Fielder
P O Box 22698
Lexington KY 40522-2698
(800) FIELDER

***The Gill Companies**

Pam Evans, HCCP
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Dexter MO 63841
(573) 624-6614

*** Gove Associates**

Mr. Josh Bruyn / Mr. Carl Freed
1601 Portage St.
Kalamazoo MI 49001
(269) 385-0011

***Howard & Associates**

Evelyn Howard
7700 Old Georgetown, Suite 400
Bethesda MD 20814
(301) 280-3066

***Integra Dean Appraisal – Detroit**

400 W Maple, Ste. 200
Birmingham MI 48009
(248) 540-0040

***International Appraisal & Investments, Inc.**

Patricia M. Brown
689 North Mill
Plymouth MI 48170
(734) 459-0420

MARKET GUIDELINES
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Bella Vista, AR 72715-7335
(479) 452-0848

***Koontz & Salinger**

Mr. Jerry Koontz
P.O. Box 37523
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(919) 362-9085

***Laurin Associates**

Barry Polster
8084 Old Auburn Rd, Ste #
Citrus Heights, CA 95610
(916) 725-1181

***Lexington Realty Svcs.**

Dale R Mussatti
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***Market Analyst Professionals**

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fax (248) 281-0389

***Mark McDaniel; William H. Doxie, Jr. and**

Rebecca Kathleen Allen
915 Ramblewood
East Lansing MI 48823
(517) 482-8555

*** Gregory McDuffee**

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(313) 983-3600

***Nicollet Partners**

Everett Strand, MAI
1221 on the Nicollet Mall
Ste 700
Minneapolis MN 55403
(612) 340-1236

***Novogradac & Co., LLP - 2 LOCATIONS:**

Brad Weinberg
11900 Parklawn Dr., Ste. 350
Rockville MD 20852
(301) 770-6310 AND

Novogradac & Co., LLP

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*** National Land Advisory Group**

Mr. Richard Barnett
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*** National Survey Systems**

Annie Gerard
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*** Oetzel Williams Group**

Mr. Alan Johns
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*** Patz & Associates, Inc.**

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Potomac Falls, VA 20165
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fax (703) 421-8109

*** Planning Research (formerly CAW Associates, Inc.)**

Mr. Phillip B. Wargelin
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*** Prior & Associates**

Ms. Sandra Goodman
1900 Grant St, Ste. 720
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MARKET GUIDELINES
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* Property Dynamics
Mr. Gregory Fahui
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* RLJ & Co.
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* Real Property Research Group
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*Vogt Williams & Bowen LLC
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*The Michael Woods Group
Kevin Woods
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* Zachary and Assoc.
Mr. Ernie Zachary
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Detroit MI 48201
(313) 831-6100

ATTACHMENT F
HOUSEHOLD MOVERSHP RATES

Tenure	Detroit Metro	City of Detroit	Midwest Region	National Elderly
Owners	2.9%	3.8%	3.6%	0.9%
Renters	20.0%	20.0%	27.7%	8.7%

Source: 1999 American Housing Survey